
MAY 4, 2005 PREFACE

TO DEMYSTIFYING THE DMB PROCUREMENT/ACCOUNTS PAYABLE PROCESS

Two Executive Directives currently restrict the acquisition of personal services and commodities.

Executive Directive 2004-8: Restrictions on Purchase of Non-Essential Supplies, Materials, Equipment, Printing, or Other Products and Executive Directive 2004-9: Restrictions on Creation of New Positions, Hiring of Employees and Acquisition of Contractual Services may be found at http://www.michigan.gov/gov/0,1607,7-168-21975_22515---,00.html

Executive Directive 2005-3 prohibits no-bid contracts. The directive is effective April 30, 2005 and requires all contracting for and the providing of supplies, materials, services, equipment and all other items needed by state agencies, must utilize competitive bidding. The directive allows for emergency purchases to be processed without bids. An emergency is defined as being necessary for: the imminent protection of public health or safety, or an emergency repair or construction caused by unforeseen circumstances, or declared state of emergency. Acquisition Services will be providing additional direction and will be establishing policies and procedures in the Guide to Government. The Executive Directive may be found at http://www.michigan.gov/gov/0,1607,7-168-21975_22515-111697--,00.html.

Requestors of goods or services are advised to plan additional time in the request process to allow for the processing and review necessitated by these directives. Acquisition Services Letter No. 119 details the timeframes and it can be found at: http://connect.michigan.gov/portal/site/dmb/index.jsp?epi-content=GENERIC&browse_folder=&mountpoint_id=9272fa2b82149ac0a412e80512b890a0&beanID=1689824408&viewID=user_browse

Keep in mind that all purchasing, regardless of the dollar limit, must be for essential business purposes only.

***DEMYSTIFYING THE DMB
PROCUREMENT/ACCOUNTS PAYABLE PROCESS***

Prepared by
**DEPARTMENT OF MANAGEMENT AND BUDGET
FINANCIAL SERVICES**

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DEMYSTIFYING THE DMB PROCUREMENT/ ACCOUNTS PAYABLE PROCESS

INTRODUCTION

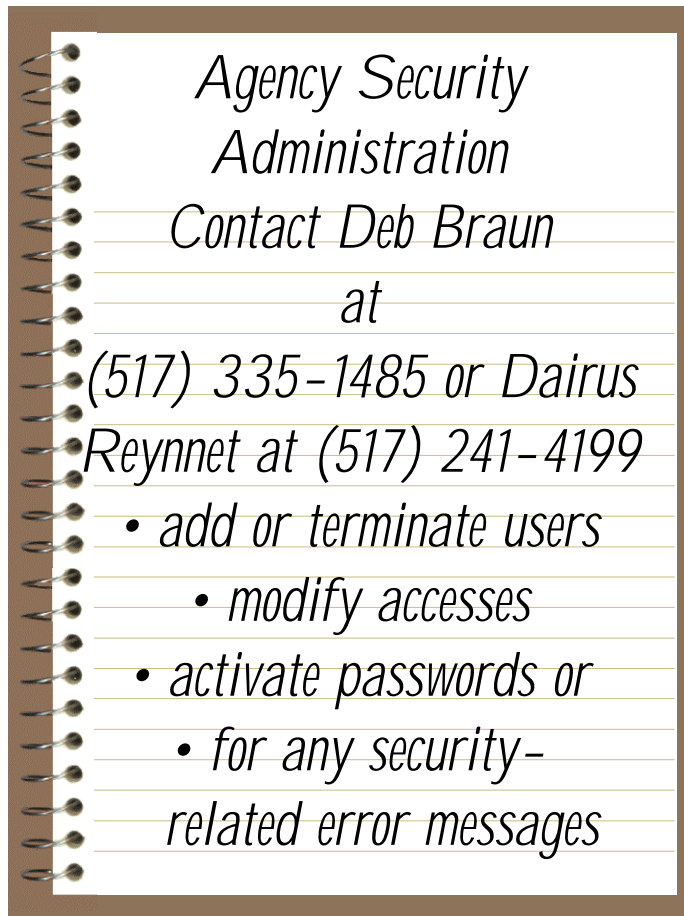
If you're looking at this booklet, the odds are high that you're in a position requiring you to obtain goods or services on behalf of your work unit. It can be a complex process. In order to do it correctly, you may need some help.

You have a responsibility to properly follow the process. Payment of services or for supplies may be delayed or not authorized if the proper procedures are not followed. You could be held liable for payment of invoices received for purchases that were not authorized. By doing your job properly, you avoid these risks.

This document is intended to help you understand the process. The process is complicated and can be very cumbersome. However, properly addressing your part of it will minimize any efforts needed later. Understanding the time frames associated with the process allows you to plan your needs better.

This document is not going to explain how to use the computer information system. It aims to help you understand the process and your role in it. The purchasing and payment systems reside in ADPICS (Advanced Purchasing and Inventory Control System) in MAIN (Michigan Administrative Information Network). Training is available through the Office of Financial Management (OFM), and you are encouraged to take advantage of it.

OFM's web site can be found at <http://mainweb.state.mi.us>. Forms, manuals, reports, the training schedule, and training registration instructions are located at that website.



Various levels of security to protect the integrity of the accounting information system are in place. The security access you are granted depends upon your needs.

DMB/DIT-wide security administration is performed by Financial Services (FS) – Operations Division for the following systems:

- MAIN FACS – ADPICS and R*STARS
- MIPC and MIPC Development
- DCDS
- MIDB
- Secure ID Cards
- Main Access Panel (MAP)

Normally, it takes three to five days to be granted a new system access. All users are encouraged to plan ahead and request security access in advance to allow for this processing time.

HELPFUL LISTSERVS

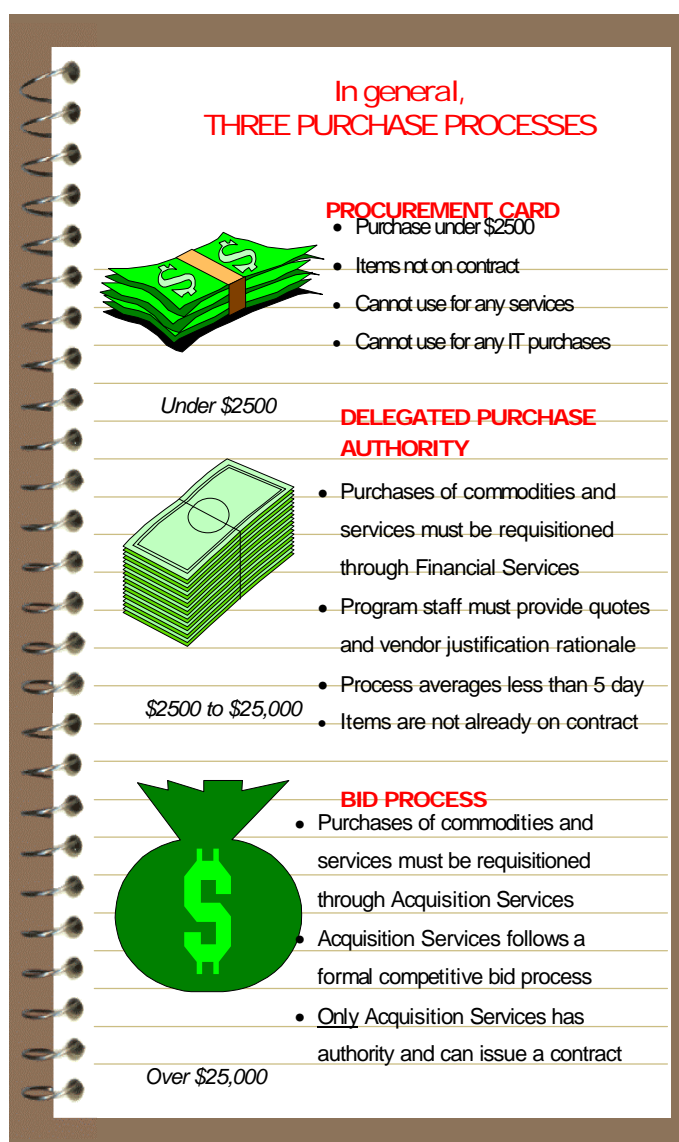
To keep informed on newly issued statewide contracts and contract change notices subscribe to the LISTSERVs published by Acquisition Services and by MAIN to receive e-mail updates. For these services, contact MAIN's Help Desk at (517) 373-6222. Regularly visit the web sites of MAIN at <http://mainweb.state.mi.us> and Acquisition Services which is part of <http://www.michigan.gov/doingbusiness> to obtain an overview of their operations and to find current and updated information.

When in doubt, contact Denise Ballard at (517) 373-7567, Mary Brocklebank at (517) 335-1562, or Natalie Spaniolo at (517) 373-3696 for assistance. As the procurement office, they can provide you with directions on how to create your requisition and answer questions about the correct codes to use.

Overview of Purchasing

Purchasing limits can be divided into four categories: under \$2,500, between \$2,500 and \$25,000, over \$25,000, and those purchases that are against an Acquisition Services issued contract. Keep in mind that there is separate approval necessary for the purchase of certain services. Any time the State hires someone to perform a service, Civil Service has jurisdiction over that purchase. Please refer to http://www.michigan.gov/documents/DMB_Contractual_Personal_Services_web_21765_7.pdf for the detail of that process.

METHODS OF PURCHASE



Under \$2,500

Unless an item is on an Acquisition Services statewide contract, you will make small purchases for commodities under \$2,500 using a purchasing card, which is a MasterCard. A cardholder application can be obtained from Denice Ballard at Dballard@michigan.gov. State credit cards cannot be used for personal use or benefit, or to obtain a cash advance. Each cardholder and cardholders' supervisor is issued a manual that outlines the rules governing that program when they receive their card.

Items that cannot be purchased using the credit card are: **health or medical services, travel-related expenses, IT related purchases, contractual services, any other services, or most contract payments.** A listing of contracts that Acquisition Services has approved for payment using the procurement card an/or Direct Voucher can be found at www.michigan.gov/documents/Alternative_Payments_41924_7.xls.

should be processed utilizing Direct Vouchers. The exception would be for payments

against an Acquisition Services contract that has not been authorized to pay via procurement card or Direct Voucher; those payments need to be processed against a Purchase Order regardless of the dollar amount.

PURCHASES BETWEEN \$2,500 AND \$25,000

Acquisition Services has delegated the responsibility for purchases between \$2,500 and \$25,000 to the departments. Financial Services is responsible for this activity in DMB. The program areas play a significant role in the process. In most cases, a written quote for the good or service must be obtained and submitted to Financial Services Procurement Unit.

Every effort must be made to secure the best value to the State. Obtaining the best price is one factor that contributes to value. The following guidelines are provided to assist in this process:

- Compare pricing to a previous purchase for the same commodity or service.
- It is strongly recommended but not required that three different vendors be contacted to inquire about pricing. Be sure to provide a clear description of the commodity or service needed as pricing can change due to variables such as brand, style, and options.
- Check if government pricing is available.
- Ask about additional discounts available such as for volume.
- Pricing can be obtained from a catalogue but needs to be verified with the vendor. Check to see if the pricing listed includes delivery.
- Make sure that the price offered is firm and that the price included delivery.

Copies of all quotes must be forwarded to FS-Procurement with the request to purchase. A valid quote should have a contact name, phone number of the vendor contact, date of the quote, shipping charges, special installation requirements, and any other pertinent information should be attached. It is preferred that vendors quote items with shipping/freight included in the price. If they don't, the quote needs to specify from where the goods are being shipped. The State has contracts with shipping companies that need to be utilized when the State is paying for freight.

Due to Civil Service requirements, all quotes must separate pricing for labor and pricing for parts. Requests for labor may require approval from Civil Service, please refer to http://www.michigan.gov/documents/DMB_Contractual_Personal_Services_web_21765_7.pdf for the manual on Contracting Personal Services.

Once the request is received, the creation of the purchase order is expected to take less than five days. The request can either be sent via an electronic requisition in ADPICS or by submitting the quote to the procurement unit.

Receipt of goods or services should **never** precede the issuance of a purchase order.

A quote is not necessary if the items/services that are being purchased is a release against an existing state contract.

PURCHASES GREATER THAN \$25,000

Purchases exceeding \$25,000, that are not a release from an existing state contract, require the submission of a requisition to Acquisition Services. Acquisition Services will contract for the good or service through a formal bid process. Purchases over \$25,000 require detailed specifications or for more complex requests the completion of a Request for Proposal (RFP) or an Invitation to Bid (ITB). FS/Procurement is available to assist with this process.

Acquisition Services Process

Acquisition Services will manage the process for purchases in excess of \$25,000. An AS-1 form must accompany any requisition being submitted to Acquisitions Services. The most current form can be found at www.michigan.gov/documents/ProcurementInitiationLetterNovember_78035_7.doc.

All requests exceeding \$25,000 will go through the bid process. The solicitation may be in the form of an Invitation to Bid (ITB) or a Request for Proposal (RFP). In the RFP, the vendor defines a solution to a defined need along with a bid. In an ITB, the vendor provides pricing for a described product and/or services.

WHEN THE VALUE IS OVER \$25,000, A BID PROCESS IS CONDUCTED.			
A CONTRACT IS AWARDED AND ISSUED AS EITHER A			
BPO	<u>BLANKET PURCHASE ORDER</u>		<u>PURCHASE ORDER</u>
	<ul style="list-style-type: none">• May be 1) agency-specific, 2) state-wide, or 3) involve more than one department• Usually a high dollar amount• Often extends over multiple years• Often many services or goods are available through the contract		<ul style="list-style-type: none">• Always affects only a single department or agency which uses it exclusively• Dollar amount varies• Period of performance is less than one fiscal year• Often is one project involving a single item or set of items or services

An agency submitting a request to Acquisition Services may suggest companies as potential suppliers. The buyer will send suggested vendors the solicitation to bid unless they are found to be ineligible to bid, and will augment that group with regular vendors from the vendor file.

Every bid includes criteria for determining the award. These may include cost, past experience, the bidder qualifications, delivery time, specifications, terms and conditions. When a solicitation requires an oral presentation, submission of test samples, or inspection of facilities or place of business, these factors are part of the bid evaluation.

The total cost may include unit price, delivery, installation, maintenance and cost of operation, as defined in the solicitation.

As the cost of the project increases, the time the bid process takes increases. Requests for a new contract that exceed \$25,000 will go to Acquisition Services and will be bid. The estimated timeframes for that process are:

- Requests priced under \$100,000 will take up to 90 days,
- Requests priced between \$100,000 and \$1,000,000 will take up to 120 days,
- Requests over \$1,000,000 will take up to 150 days.



Other Approvals may be required

An award may require administrative approval beyond Acquisition Services:

- The State Administrative Board approves all awards over \$25,000. After favorable action by the Board, which meets the first and third Tuesday of each month, Acquisition Services may issue a purchase order or BPO to the successful bidder. Approval by the Board does not obligate Acquisition Services to issue a purchase order or BPO.
- The Michigan Department of Civil Rights must affirm that the prospective vendor has not been found to discriminate in employment for all awards over a certain dollar amount. Failure to cooperate with the Department of Civil Rights or to provide information it requests in a timely fashion may disqualify a bidder.
- Civil Service oversees approval for purchasing human services.

Acquisition Services notifies successful bidders of an award in writing. However, bidders may contact Acquisition Services to request the status of a bid.

Rebids/Cancellations

Acquisition Services may cancel or rebid a solicitation before the execution of a contract or issuance of a purchase order for a number of reasons such as all bids exceeding the agency's cost estimate or none of the bids meeting the required specifications.

PURCHASES AGAINST A BLANKET PURCHASE ORDER

Purchases made as a release against an existing contract are not subject to any review by Acquisition Services. An existing blanket purchase order (BPO) has already been bid by Acquisition Services so bids do not need to be obtained for purchasing against a BPO. Examples of existing BPOs are: Office Max office supplies, Haworth chairs, and Unisource for disposable paper products.

To determine if a commodity or service is already available on a state contract, go to Acquisition Services web site at

http://connect.michigan.gov/portal/site/dmb/?epi_menuItemID=f516708b6c434baff9e0d7d398783859&epi_menuID=49dd8fcd274b0b9c650439e3cccfa2a0&epi_baseMenuID=791ff758de1cd15be0cc4eb6cccfa2a0 and click on "current contract listing". Please

contact Mary, Denise, or Natalie with questions or to get a condensed version of the contract listing.

Releases against a BPO are not subject to further Administrative Board approval.

Unless the contract is an approved contract to be paid via Direct Voucher or Procurement Card, a contract release (requisition or purchase order in ADPICS) must be created for all purchases against a contract.

Emergency Purchases

There is a provision for making purchases in emergency situations. The Administrative Guide procedure 0510.09 can be found at http://michigan.gov/dmb/0,1607,7-150-9131_9347-28777--,00.html. The situation has to meet one of the criteria to qualify as an emergency:

1. Procurement of the goods or services is necessary for the imminent protection of the public safety.
2. Procurement of goods or services is for emergency repair or construction caused by unforeseen circumstances when the procurement of the good or services is necessary to protect life or property.
3. Procurement of goods or services is in response to a declared state of disaster.

Please contact the procurement unit to get instructions on how to proceed with an emergency purchase.

Regardless of the method used, do not divide purchases into separate orders to avoid the appropriate procurement process.

Contract Management

If you have been identified as a Contract Compliance Inspector (previously known as Contract Administrator), there are tasks that should be completed to ensure that the vendor is performing the tasks outlined in the contract.

- **Maintain a Contract File.** Contract Compliance Inspectors should have a copy of the contract, correspondences related to the contract, and payment history. If payment history is not available, Financial Services/Procurement can provide a payment summary on request.

- Ensure that payments are made in compliance with the contract. Inspectors must ensure that the vendor delivers what is stated in the contract and the payments are consistent with what is outlined in the contract.
- Ensure that there are adequate funds in the contract to cover the needs of the contract. If the contract is for a service, Inspector ensures that the Civil Service approval (CS-138) does not expire or run short of funds.
- Communicates any contract changes through Acquisition Services. Only Acquisition Services has the authority to negotiate changes to a contract.
- Requests any changes needed to the contract through Acquisition Services. Changes could include: additional job duties, change in scope of the work, or extension requests.
- Communicates any problems with the vendor to Financial Services/Procurement. It is critical to document any vendor issues in ADPICS.

FS/Procurement Unit can assist at any time with support on contract balances, payment history, CS-138 balances, vendor complaints, processing changes to Acquisition Services, and examples of a contract file.

SPECIAL SITUATIONS AND OTHER POINTS OF INTEREST

For the most part, goods and services are purchased from companies and individuals in the private sector. However, some governmental entities may have preferred status, usually based in legislation.

Michigan State Industries

The Correctional Industries Act (Public Act 537 of 1996, as amended) provides for the employment of inmate labor in the correctional institutions of this state. The goods manufactured by inmates are sold by Michigan State Industries. Under the provisions of this act, the Executive Office and Department of Management and Budget have directed all departments to fully utilize the products manufactured by Michigan State Industries that have been approved by Purchasing as being equal to products furnished by commercial vendors, whenever feasible, and economical.

In general, when you are considering the purchase of wood furniture, think Michigan State Industries. Various manufacturing and service operations in MSI produce chairs, corrugated boxes, janitorial supplies, signs, decals, and wood furniture as well as license plates.

A catalog listing their items is available in each agency from the office director. To obtain a catalog, contact the MSI sales office at (517) 373-4277.

Office Max previously Boise Cascade

For office supplies, Office Max was awarded the contract, and their products are made available through a Blanket Purchase Order. Their just in time system means that orders are delivered the next day so offices should not have to carry large back stocks of office supplies

Catalogues are sent automatically to the person designated in your office or division to order. Some items are restricted and cannot be ordered from Office Max. Common restricted items include furniture, telephones, and computer products.

The purchasing card can be used for Office Max orders. Options for ordering are by phone at (800) 772-6473, by fax (800) 642-6473, or on the Internet at www.OfficeMaxSolutions.com. However, you must be a registered purchaser with Office Max. If you have questions, please call Denice Ballard at (517) 373-7567.

Printing Services

Printing Services, Agency Services, produces a full range of printing services including printing, bindery, graphics arts, platemaking, copying, desktop publishing, and print on demand. They can also provide layout, computerized design and typesetting.

Some services require prior approval from the Director's office; such requests should be submitted to the Deputy Director for Management Services. The following items require this approval:

- Printing requiring two or more colors of ink (excluding forms, licenses and certificates required by state regulations)
- Annual reports
- Newsletters
- Printing requiring photographs
- Special folders or binders with printing or silk screening
- Pamphlets
- Brochures
- Books
- Reports

The agency director should approve a request for business cards accompanied by documentation of need

WHEN YOU GET THE GOODS

When an order arrives, it should be checked against the invoice to make sure it is correct. You must indicate how many items were received, even if it is an incomplete order. If there are discrepancies, the vendor should be contacted at once.

HOW ACCOUNTS PAYABLE FITS IN

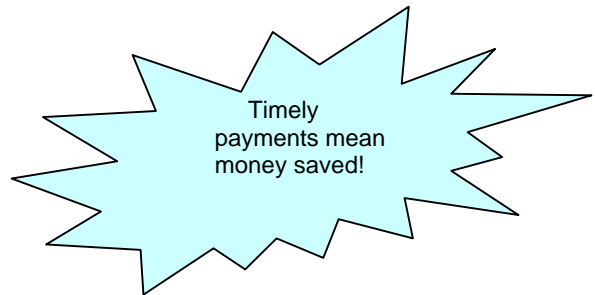
Now that you have purchased and received your goods and services, the next step is to pay the invoices that you have received; this is where Accounts Payable comes into the process. Accounts Payable is located within the Department of Management and Budget's Financial Services- Operations Division. The primary focus of Accounts

Payable is to process all payments in a timely and accurate manner and to do this prior to the specified due date.

All invoices and payments received in Accounts Payable are processed in ADPICS. There are some invoices and payments that are approved for payment using the state procurement card; those types of purchases are outlined in the Procurement section of this booklet.

Accounts Payable processes a number of different types of payments:

- Rent and lease payments
- Utility payments
- Travel vouchers
- Travel advances
- Payments against a purchase order
- Payments to other state agencies.
- Car wash vendors for state vehicles
- Driver Reimbursements



While some invoices for commodities and services are processed in ADPICS or paid on a procurement card within the individual work areas, all payments made against a purchase order are processed within Accounts Payable. If you have an invoice that is to be processed against an existing purchase order, a review of the invoice must occur. You should be looking for the following items:

- The goods or services ordered were received and are in good condition.
- Invoice amounts match the amounts on the Purchase Order or Quote.
- Appropriate approving authority has signed (Initials are not acceptable approvals) and dated.

After the above review has been completed – it is **IMPORTANT** that the invoice is forwarded to Accounts Payable as soon as possible to avoid a delay in processing the payment and the possible incurring of late charges.

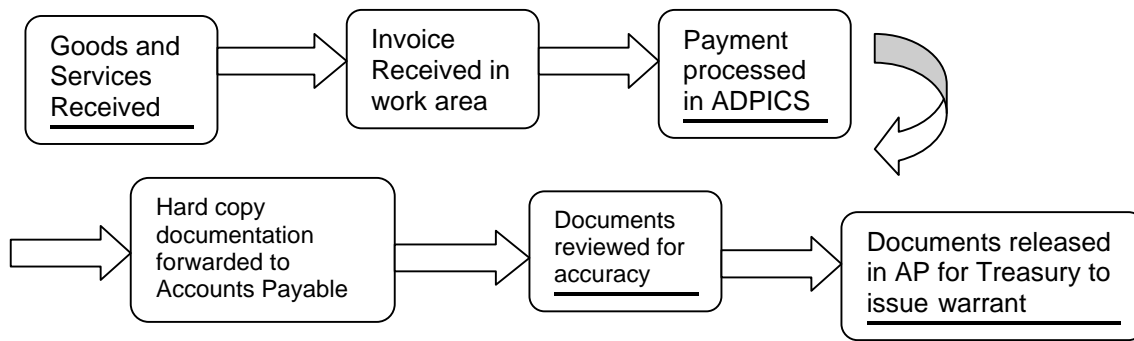
Remember: DO NOT initial invoices when approving: Sign your full name and date!

Example of an acceptable approval:

Approved for payment
Kay Baker 4/15/05

All documents, whether they are initiated in the work areas or in Accounts Payable, are released for final payment from the Accounts Payable Unit.

The following is a high level flow chart of the document flow:



Training on how to process direct vouchers and travel vouchers is available through OFM. OFM's web site can be found at <http://mainweb.state.mi.us>. You can also complete the self-study guides for direct vouchers and travel vouchers in lieu of taking a class.

In addition to processing invoices for payment Accounts Payable staff is also available to assist work areas with their questions, provide one-on-one training in ADPICS, provide reports of payments that have been processed for a vendor or for a work area, provide back-up support for processing documents, and to assist work areas to improve their processing procedures.

As documents are processed several questions and issues can arise. We have attempted to address those in the Frequently Asked Questions companion to this booklet. If you have any questions or need any assistance in processing your invoices, please feel free to contact Accounts Payable staff.

Contacts in Financial Services/Operations

<u>Area of Expertise</u>	<u>Name</u>	<u>Phone Number</u>
Accounts Payable	Kay Baker	(517) 373-8806
Commodity Codes	Denice Ballard	(517) 373-7567
CS-138 Entry	Natalie Spaniolo	(517) 373-3696
DMB Procurement Cards	Denice Ballard	(517) 373-7567
Payments to another Department	Lois Summerville or Denise Fedewa	(517) 335-1486 (517) 373-2552
Requisition Entry	Mary Brocklebank	(517) 335-1562
Security/Computer Accesses	Deb Braun or Dairus Reynnet	(517) 335-1485 (517) 241-4199
Travel Vouchers	Ginny Wonsey	(517) 373-7579